

BATH CHARTER TOWNSHIP HOUSING COMMISSION
BATH, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Bath Charter Township Housing Commission		County Clinton	
Fiscal Year End December 31, 2006		Opinion Date April 30, 2007		Date Audit Report Submitted to State May 21, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

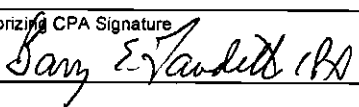
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Report on Compliance and Internal Controls	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI
Zip 49686			
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	License Number 11050

BATH CHARTER TOWNSHIP HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Bath Charter Township Housing Commission
Bath, Michigan

I have audited the accompanying financial statements of the business-type activities of the Bath Charter Township Housing Commission, Michigan, a component unit of Bath Charter Township, as of and for the year ended December 31, 2006, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Bath Charter Township Housing Commission, Michigan, as of December 31, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Bath Charter Township Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated April 30, 2007, on my consideration of Bath Charter Township Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 7, is not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Bath Charter Township Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bary E. Audette, CPA, PC

April 30, 2007

BATH CHARTER TOWNSHIP HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

December 31, 2006

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The Bath Charter Township Housing Commission, created in 1985, by Bath Charter Township provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Bath Charter Township Housing Commission consists of three programs. The first is owned housing, consisting of 30 units of public housing, the second is the capital funding program, the third is the housing choice voucher program consisting of 25 qualifying low-income residents for rental housing.

Bath Charter Township Housing Commission had total revenues of \$277,220 that includes \$47,004 in rental payments and \$225,123 in federal assistance. Total revenues decreased by \$52,781 from the prior year, in part, because of federal assistance decreasing by \$46,961, and rents decreasing by \$3,851 from the prior year. Total operating expenses were \$356,335, that includes \$57,457 in administrative expenses, \$15,789 in utilities, \$52,086 in ordinary maintenance and operation, \$150,328 in housing assistance payments, and \$54,954 in depreciation expense. The operating expenses decreased by \$9,014, in part, because of the Housing Assistance payments decreasing by \$3,888 and protective services decreasing by \$4,206 from the prior year.

The total assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$1,057,745. The Housing Commission's total net assets decreased by \$83,629 from the prior year, as a result of the net loss of \$79,115.

Total assets of the Housing Commission were \$1,068,947 and also, there was \$93,446 of current assets and \$11,202 in current liabilities.

The Housing Commission's overall financial condition has been declining due to a decrease in federal assistance and rental incomes have decreased the prior two years.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Revenues, Expenses, and Changes in Fund Net Assets - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended December 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Current assets	\$ 93,446	\$ 125,842	\$ (32,396)
Property and equipment	<u>975,501</u>	<u>1,026,734</u>	<u>(51,233)</u>
Total assets	<u>\$1,068,947</u>	<u>\$1,152,576</u>	<u>\$ (83,629)</u>
Current liabilities	\$ 11,202	\$ 15,716	\$ (4,514)
Total liabilities	<u>11,202</u>	<u>15,716</u>	<u>(4,514)</u>
Net assets:			
Invested in capital assets	975,501	1,026,734	(51,233)
Unrestricted	<u>82,244</u>	<u>110,126</u>	<u>(27,882)</u>
Total net assets	<u>1,057,745</u>	<u>1,136,860</u>	<u>(79,115)</u>
Total liabilities and net assets	<u>\$1,068,947</u>	<u>\$1,152,576</u>	<u>\$ (83,629)</u>

Financial Analysis of the Housing Commission (continued)

The following table summarizes the Statement of Revenues, Expenses, and Changes in Net Assets of the Housing Commission for the years ended December 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 47,004	\$ 50,855	\$ (3,851)
Nondwelling rent	<u>572</u>	<u>439</u>	<u>133</u>
Total operating revenues	<u>47,576</u>	<u>51,294</u>	<u>(3,718)</u>
Operating expenses:			
Administration	57,457	59,525	(2,068)
Tenant services	4,027	3,475	552
Utilities	15,789	15,234	555
Ordinary maintenance and operation	52,086	50,103	1,983
Protective services	9,860	14,066	(4,206)
General expenses	11,834	13,776	(1,942)
Housing assistance payments	150,328	154,216	(3,888)
Depreciation	<u>54,954</u>	<u>54,954</u>	
Total operating expenses	<u>356,335</u>	<u>365,349</u>	<u>(9,014)</u>
Non-operating revenue (expenses):			
Interest income	1,100	1,029	71
Other income	3,421	5,594	(2,173)
Capital grants	3,721	37,710	(33,989)
Operating grants	<u>221,402</u>	<u>234,374</u>	<u>(12,972)</u>
Total nonoperating revenue(expenses)	<u>229,644</u>	<u>278,707</u>	<u>(49,063)</u>
Change in Net Assets	<u><u>\$ (79,115)</u></u>	<u><u>\$ (35,348)</u></u>	<u><u>\$ (43,767)</u></u>

Significant changes in our financial position and operations are as follows:

Cash decreased as a result of spending part of our capital fund for fixed assets, see analysis of capital assets below; our rents decreased because of the economic conditions in our area; residents have lost jobs or have been unable to find work, our average rent per unit has dropped, however, we do remain fully occupied.

Financial Analysis of the Housing Commission (continued)

Our maintenance costs have decreased as a result of going to two part time maintenance workers versus a full time person; in this way we save on benefits and have more flexibility with a person to cover in the event the other is unable to work.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, Capital grants authorized and obligated during the year, and the Housing Choice Voucher Assistance Payments.

Budgetary Highlights

The Commission passed a budget for the fiscal year and did have a cause to amend the budget during the year; the actual net loss was \$17,603 more than the original budget - this is a result of less dwelling rental than originally budgeted. Based on occupancy and projected income we anticipated \$65,430, and actually collected \$47,004 or a decrease of \$18,426. We believe the decrease is due to a number of tenants are at zero income and rent, and families that have lost employment during the year.

Capital Asset Analysis

During the current year we used the remaining part of the 2004 Capital Fund Program(CFP) \$3,721 to begin the bathroom renovations, and drew down \$15,602 out of the 2005 CFP for operations.

Our plans for the future include using our 2005 and 2006 CFP as follows:

Operations	\$ 4,900
New entryway doors	4,500
Renovation of unit bathrooms	63,000

Comments and Known Facts

The Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families. We intend to use the CFP as mentioned above.

The Commission is concerned with the increase in Federal unfunded mandates such as project based accounting, asset management, and uncertainty in future funding with the new subsidy calculations and cuts in other federal programs. The aforementioned unfunded mandates include project based accounting and asset management; these systems may be beneficial in markets that can increase rents or request additional rent subsidies (like the multi-family programs), but public housing caters to the low income residents; our concern is that the new models (project based and asset management) may result in eliminating the safety net which public

Comments and Known Facts (continued)

addresses.

Questions and comments regarding this Management Discussion and Analysis may be directed to:

Ann Schoals, Executive Director
14379 Webster Road
Bath, Michigan 48808-9724

FINANCIAL STATEMENTS

BATH CHARTER TOWNSHIP HOUSING COMMISSION
STATEMENT OF NET ASSETS
December 31, 2006
=====

ASSETS

Current Assets:

Cash	\$ 77,662
Accounts receivable-HUD other projects	1,600
Accounts receivable-dwelling rents	6,451
Allowance for doubtful accounts	(2,765)
Investments-unrestricted	7,925
Prepaid expenses	573
Inventories	<u>2,000</u>

Total Current Assets	<u>93,446</u>
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Capital Assets:

Land	35,419
Buildings	1,554,392
Equipment	66,488
Construction in progress	<u>41,431</u>

1,697,730

Less: accumulated depreciation	<u>(722,229)</u>
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Net Capital Assets	<u>975,501</u>
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Total Assets	<u><u>\$ 1,068,947</u></u>
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See notes to financial statements

BATH CHARTER TOWNSHIP HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
December 31, 2006
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LIABILITIES and NET ASSETS

Current Liabilities:

Accounts payable	\$ 2,947
Tenant security deposit liability	6,428
Accrued expenses	1,501
Deferred revenues	<u>326</u>

Total Current Liabilities	<u>11,202</u>
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Net Assets:

Invested in capital assets	975,501
Unrestricted net assets	<u>82,244</u>

Total Net Assets	<u>1,057,745</u>
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Total Liabilities and Net Assets	<u><u>\$ 1,068,947</u></u>
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See notes to financial statements

BATH CHARTER TOWNSHIP HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS

Year Ended December 31, 2006

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OPERATING REVENUES:

Dwelling rent	\$ 47,004
Nondwelling rent	<u>572</u>

Total operating revenues	<u>47,576</u>
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OPERATING EXPENSES:

Administration	57,457
Tenant services	4,027
Utilities	15,789
Ordinary maintenance and operation	52,086
Protective services	9,860
General expenses	11,834
Housing assistance payments	150,328
Depreciation	<u>54,954</u>

Total operating expenses	<u>356,335</u>
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Operating income(loss)	<u>(308,759)</u>
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NONOPERATING REVENUES:

Investment interest income	1,100
Other income	3,421
Capital grants	3,721
Operating grants	<u>221,402</u>

Total nonoperating revenues	<u>229,644</u>
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Change in net assets	(79,115)
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Net assets, beginning	<u>1,136,860</u>
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Net assets, ending	<u><u>\$ 1,057,745</u></u>
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See notes to financial statements

BATH CHARTER TOWNSHIP HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2006
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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 47,723
Cash payments to other suppliers of goods and services	(241,089)
Cash payments to employees for services	(57,796)
Cash payments for in lieu of taxes	<u>(3,361)</u>
Net cash (used) by operating activities	<u>(254,523)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	238
Operating grants	227,512
Other revenue	<u>3,421</u>
Net cash provided by noncapital financing activities	<u>231,171</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	3,721
Payments for capital acquisitions	<u>(3,721)</u>
Net cash (used) by capital and related financing activities	<u> </u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Certificates of deposits earnings	(642)
Receipts of interest and dividends	<u>1,100</u>
Net cash provided by investing activities	<u>458</u>

Net increase(decrease) in cash	(22,894)
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Cash, beginning	<u>100,556</u>
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Cash, ending	<u><u>\$ 77,662</u></u>
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BATH CHARTER TOWNSHIP HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended December 31, 2006

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RECONCILIATION OF CASH AND CASH EQUIVALENTS
PER STATEMENT OF CASH FLOWS TO THE BALANCE
SHEET:

Cash	\$ 77,662
Cash and cash equivalents per balance sheet	<u>\$ 77,662</u>

SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:

Operating income(loss)	\$(308,759)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	54,954
Bad debt allowance	647
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(179)
Prepaid expenses	2,019
Inventories	1,547
Increase (decrease) in liabilities:	
Accounts payable	(1,993)
Accrued wage/payroll taxes payable	(1,204)
Accrued compensated absences	(1,134)
Accrued payments in lieu of taxes	(747)
Deferred revenues	<u>326</u>
Net cash (used) by operating activities	<u>\$(254,523)</u>

See notes to financial statements

BATH CHARTER TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bath Charter Township Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

The Bath Charter Township Housing Commission is a component unit of Bath Charter Township, a Michigan Township. The Housing Commission is a Public Housing Agency created by Bath Charter Township on March 14, 1985, consisting of a five member board appointed by the Township Supervisor and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Bath Charter Township Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-8092, the Housing Commission constructed, maintains and operates 30 units of subsidized housing in Bath Charter Township, Michigan. The Housing Commission also manages a Housing Choice Voucher program of subsidies for 25 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission. The Housing Commission receives a HAP allocation in addition to administrative fees based on the number of households it assists under its Housing Choice Voucher program.

Fund Financial Statements

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Activities and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases(revenues) and decreases(expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Bath Charter Township Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Inventory

Inventory is priced using the average cost method.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$1,000 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Equipment and furnishings	7 - 10 years
Building improvements	7 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services. Amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested in capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave is not cumulative (unless approved in advance by the Director) and shall be taken during the calendar year following the one in which it was earned unless conditions render it impossible, all employees shall take their vacation. If unused vacation time is not taken as directed, the unused vacation time as of December 31 of that year may be carried over into the next succeeding year.
- * Sick leave: Employees will earn one/eight hours of sick leave per 160 hours worked. This may be accrued up to 288 hours total. This can be used for personal time, but this can not be replaced in cash. When employee ceases employment they may be paid 50% of that accrued amount and if terminated employee may receive 0% of said amount.
- * Personal leave days: There is none offered other than up to three (3) days of bereavement leave.

The amount of accumulated benefits at December 31, 2006, was \$505, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The Housing Commission does not participate in a pension plan.

Income Taxes

As a component unit of a Michigan Township, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$77,534 and the bank balance was \$77,889 of which \$77,889 was covered by federal depository insurance and a collateral agreement. The Housing Commission has \$128 in petty cash.

Investments

The Housing Commission had the following investment at Citizens Bank as of December 31, 2006:

Certificate of deposit	<u>\$ 7,925</u>
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Interest Rate Risk - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

1. U.S. Treasury Notes - 100%; or
2. U.S. Treasury Notes and/or Bonds - 75% and
3. Mortgage Backed Securities - 25%

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the combined statement of net assets follows:

Cash on hand	\$ 128
Carrying amount of deposits	77,534
Investments	<u>7,925</u>
Total	<u>\$ 85,587</u>
Cash and investments:	
Enterprise activities	\$ 85,942
Enterprise activities - checks written in excess of deposits	(355)
Total	<u>\$ 85,587</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At December 31, 2006, the receivables were \$6,451 with \$2,765 estimated as uncollectible. Bad debt expense was \$1,103.

Accounts Receivable - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at December 31, 2006, were as follows:

Capital Fund Program	<u>\$ 1,600</u>
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Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$ 84,188	Housing Choice Voucher Program	\$ 82,588
		Capital Fund Program	<u>1,600</u>
	<u>\$ 84,188</u>		<u>\$ 84,188</u>

The capital fund program transferred \$15,602 in operating funds to the Low Rent Program during the fiscal year ended December 31, 2006.

Township based upon how its deposits were insured or secured with collateral at March 31, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Township(or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Township's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	<u>Custody Credit Risk</u>			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$221,005	\$221,005	\$	\$	\$220,407
CD	<u>7,094</u>	<u>7,094</u>			<u>7,094</u>
Total	<u>\$228,099</u>	<u>\$228,099</u>	<u>\$</u>	<u>\$</u>	<u>\$227,501</u>

Investments

The Township did not have any investments.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	<u>\$ 227,501</u>
Cash and cash equivalents:	
General fund-unrestricted	\$ 31,400
General fund-restricted	40,789
Refuse collection fund	109,258
Fire station fund	46,370
Tax Collection fund	282
Checks written in excess of deposits	<u>(598)</u>
Total	<u>\$ 227,501</u>

B. Receivables

The Township is owed delinquent property taxes from the County of Saginaw in the amount of \$4,200. The County also owes the delinquent special assessments of \$6,767 to the Township for the Fire Station Fund and collection fees of \$10,193 for the Refuse Collection Fund.

NOTE 6: OTHER INFORMATION**A. Current Vulnerability Due to Certain Concentrations**

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

B. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years

NOTE 7: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes three separate programs which provide housing assistance and grant programs. Segment information for the year ended December 31, 2006, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Condensed Statement of Net Assets			
Current assets	\$ 121,101	\$ 1,600	\$ 54,933
Capital assets	<u>934,070</u>	<u>41,431</u>	
Total assets	<u>\$ 1,055,171</u>	<u>\$ 43,031</u>	<u>\$ 54,933</u>
Current liabilities	\$ 11,202	\$ 1,600	\$ 82,588
Total liabilities	<u>11,202</u>	<u>1,600</u>	<u>82,588</u>
Net assets:			
Invested in capital assets	934,070	41,431	
Unrestricted net assets	<u>109,899</u>		<u>(27,655)</u>
Total net assets	<u>1,043,969</u>	<u>41,431</u>	<u>(27,655)</u>
Total liabilities and net assets	<u>\$ 1,055,171</u>	<u>\$ 43,031</u>	<u>\$ 54,933</u>

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets:			
Dwelling and nondwelling rents	\$ 47,576	\$	\$
Depreciation expense	(54,954)		
Other operating expenses	<u>(138,753)</u>		<u>(162,628)</u>
Operating(loss)	(146,131)		(162,628)
Nonoperating revenues:			
Operating transfers	15,602	(15,602)	
Investment earnings	882		218
Other income	3,421		
Capital grants		3,721	
Operating grants	<u>55,851</u>	<u>15,602</u>	<u>149,949</u>
Change in net assets	(70,375)	3,721	(12,461)
Beginning net assets	<u>1,114,344</u>	<u>37,710</u>	<u>(15,194)</u>
Ending net assets	<u>\$ 1,043,969</u>	<u>\$ 41,431</u>	<u>\$ (27,655)</u>

**Condensed Statement of Cash
Flows**

Net cash provided (used) by:			
Operating activities	\$ (91,895)	\$	\$ (162,628)
Nonoperating financing activities	58,922		172,249
Capital and related financing activities			
Investing activities	<u>240</u>		<u>218</u>
Net increase (decrease)	(32,733)		9,839
Cash, beginning	<u>55,462</u>		<u>45,094</u>
Cash, ending	<u>\$ 22,729</u>	<u>\$</u>	<u>\$ 54,933</u>

SUPPLEMENTARY INFORMATION

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
December 31, 2006
=====

	C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash	\$ 22,729	\$
Accounts receivable-HUD other projects		1,600
Accounts receivable-dwelling rents	6,451	
Allowance for doubtful accounts	(2,765)	
Investments-unrestricted	7,925	
Prepaid expenses	573	
Inventories	2,000	
Due from other programs	<u>84,188</u>	
Total current assets	<u>121,101</u>	<u>1,600</u>
Capital assets:		
Land	35,419	
Buildings	1,554,392	
Equipment	66,488	
Construction in progress		41,431
	<u>1,656,299</u>	<u>41,431</u>
Less accumulated depreciation	<u>(722,229)</u>	
Net capital assets	<u>934,070</u>	<u>41,431</u>
Total Assets	<u><u>\$1,055,171</u></u>	<u><u>\$ 43,031</u></u>

Housing Choice Vouchers 14.871	Totals
\$ 54,933	\$ 77,662
	1,600
	6,451
	(2,765)
	7,925
	573
	2,000
	84,188
<u>54,933</u>	<u>177,634</u>
	35,419
	1,554,392
	66,488
	41,431
	1,697,730
	(722,229)
	975,501
<u>\$ 54,933</u>	<u>\$1,153,135</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
December 31, 2006

=====

C-8092	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

LIABILITIES and NET ASSETS

Current liabilities:

Accounts payable	\$ 2,947	\$
Tenant security deposit liability	6,428	
Accrued expenses	1,501	
Deferred revenues	326	
Due from other programs		<u>1,600</u>

Total current liabilities	<u>11,202</u>	<u>1,600</u>
---------------------------	---------------	--------------

Total liabilities	<u>11,202</u>	<u>1,600</u>
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Net Assets:

Invested in capital assets	934,070	41,431
Unrestricted net assets	<u>109,899</u>	

Total net assets	<u>1,043,969</u>	<u>41,431</u>
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Total Liabilities and Net Assets	<u>\$1,055,171</u>	<u>\$ 43,031</u>
----------------------------------	--------------------	------------------

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 2,947
	6,428
	1,501
	326
<u>82,588</u>	<u>84,188</u>
<u>82,588</u>	<u>95,390</u>
<u>82,588</u>	<u>95,390</u>
	975,501
<u>(27,655)</u>	<u>82,244</u>
<u>(27,655)</u>	<u>1,057,745</u>
<u>\$ 54,933</u>	<u>\$1,153,135</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET ASSETS**
 Year Ended December 31, 2006
 =====

	C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 47,004	\$
Nondwelling rent	<u>572</u>	<u></u>
Total operating revenues	<u>47,576</u>	<u></u>
OPERATING EXPENSES:		
Administration	45,157	
Tenant services	4,027	
Utilities	15,789	
Ordinary maintenance and operation	52,086	
Protective services	9,860	
General expenses	11,834	
Housing assistance payments		
Depreciation	<u>54,954</u>	<u></u>
Total operating expenses	<u>193,707</u>	<u></u>
Operating income(loss)	<u>(146,131)</u>	<u></u>
NONOPERATING REVENUES AND (EXPENSES):		
Operating transfers in (out)	15,602	(15,602)
Investment interest income	882	
Other income	3,421	
Capital grants		3,721
Operating grants	<u>55,851</u>	<u>15,602</u>
Total nonoperating revenues (expenses)	<u>75,756</u>	<u>3,721</u>
Change in net assets	(70,375)	3,721
Net assets, beginning	<u>1,114,344</u>	<u>37,710</u>
Net assets, ending	<u>\$1,043,969</u>	<u>\$ 41,431</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
 \$	 \$ 47,004
<u> </u>	<u> 572</u>
 <u> </u>	 <u> 47,576</u>
 12,300	57,457
	4,027
	15,789
	52,086
	9,860
	11,834
150,328	150,328
<u> </u>	<u> 54,954</u>
<u>162,628</u>	<u>356,335</u>
<u>(162,628)</u>	<u>(308,759)</u>
 218	1,100
	3,421
	3,721
<u>149,949</u>	<u>221,402</u>
 <u>150,167</u>	 <u>229,644</u>
(12,461)	(79,115)
<u>(15,194)</u>	<u>1,136,860</u>
<u>\$ (27,655)</u>	<u>\$ 1,057,745</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2006

	C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 47,723	\$
Cash payments to other suppliers of goods and services	(90,461)	
Cash payments to employees for services	(45,796)	
Cash payments for in lieu of taxes	<u>(3,361)</u>	
Net cash (used) by operating activities	<u>(91,895)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tenant security deposits	238	
Due from/to other funds	(16,190)	(6,110)
Operating transfers in (out)	15,602	(15,602)
Operating grants	55,851	21,712
Other revenue	<u>3,421</u>	
Net cash provided by noncapital financing activities	<u>58,922</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		3,721
Payments for capital acquisitions		<u>(3,721)</u>
Net cash (used) by capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Certificates of deposits earnings	(642)	
Receipts of interest and dividends	<u>882</u>	
Net cash provided by investing activities	<u>240</u>	
Net increase(decrease) in cash	(32,733)	
Cash, beginning	<u>55,462</u>	
Cash, ending	<u><u>\$ 22,729</u></u>	<u><u>\$</u></u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 47,723
(150,628)	(241,089)
(12,000)	(57,796)
	(3,361)
(162,628)	(254,523)
22,300	238
149,949	227,512
	3,421
172,249	231,171
	3,721
	(3,721)
218	(642)
	1,100
218	458
9,839	(22,894)
45,094	100,556
\$ 54,933	\$ 77,662

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended December 31, 2006
=====

C-8092	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH
EQUIVALENTS PER STATEMENT OF CASH
FLOWS TO THE BALANCE SHEET:**

Cash	\$ 22,729	\$
Cash and cash equivalents per balance sheet	<u>\$ 22,729</u>	<u>\$</u>

**SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:**

Operating income(loss)	\$(146,131)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	54,954	
Bad debt allowance	647	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(179)	
Prepaid expenses	2,019	
Inventories	1,547	
Increase (decrease) in liabilities:		
Accounts payable	(1,993)	
Accrued wage/payroll taxes payable	(1,204)	
Accrued compensated absences	(1,134)	
Accrued payments in lieu of taxes	(747)	
Deferred revenues	<u>326</u>	
Net cash (used) by operating activities	<u>\$(91,895)</u>	<u>\$</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
--	---------------

\$ <u>54,933</u>	\$ <u>77,662</u>
------------------	------------------

\$ <u>54,933</u>	\$ <u>77,662</u>
------------------	------------------

\$ (162,628)	\$ (308,759)
---------------	---------------

54,954
647

(179)
2,019
1,547

(1,993)

(1,204)
(1,134)

(747)
326

<u>\$ (162,628)</u>	<u>\$ (254,523)</u>
----------------------	----------------------

BATH CHARTER TOWNSHIP HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended December 31, 2006

=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	Public and Indian Housing <u>Nonmajor - Direct Program</u>		
2006	Low Rent Public Housing	14.850	\$ 55,851
	Public and Indian Housing <u>Nonmajor - Direct Program</u>		
2006	Capital Fund Program	14.872	19,323
	Low Income Public Housing <u>Nonmajor - Direct Program</u>		
2006	Housing Choice Vouchers	14.871	<u>149,949</u>
	Total		<u>\$ 225,123</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

BATH CHARTER TOWNSHIP HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended December 31, 2006

=====

FDS Line Item No.		C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 22,729	\$
100	Total cash	<u>22,729</u>	
	Receivables:		
122	A/R-HUD other projects		1,600
126	A/R-tenants-dwelling rents	6,451	
126.1	Allowance for doubtful accounts	(2,765)	
120	Total receivables, net	<u>3,686</u>	<u>1,600</u>
	Current Investments:		
131	Investments-unrestricted	<u>7,925</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	573	
143	Inventories	2,000	
144	Interprogram due from	<u>84,188</u>	
	Total other current assets	<u>86,761</u>	
150	Total current assets	<u>121,101</u>	<u>1,600</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	35,419	
162	Buildings	1,554,392	
163	Furn, equip & mach-dwellings	22,216	
164	Furn, equip & mach-admin.	44,272	
166	Accumulated depreciation	(722,229)	
167	Construction in progress		<u>41,431</u>
160	Total fixed assets, net of accumulated depreciation	<u>934,070</u>	<u>41,431</u>
180	Total noncurrent assets	<u>934,070</u>	<u>41,431</u>
190	Total Assets	<u>\$ 1,055,171</u>	<u>\$ 43,031</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ <u>54,933</u>	\$ <u>77,662</u>
<u>54,933</u>	<u>77,662</u>
	1,600
	6,451
	(<u>2,765</u>)
	<u>5,286</u>
	<u>7,925</u>
	573
	2,000
	<u>84,188</u>
	<u>86,761</u>
<u>54,933</u>	<u>177,634</u>
	35,419
	1,554,392
	22,216
	44,272
	(<u>722,229</u>)
	<u>41,431</u>
	<u>975,501</u>
	<u>975,501</u>
<u>\$ 54,933</u>	<u>\$ 1,153,135</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended December 31, 2006
=====

FDS Line Item No.	C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
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LIABILITIES and NET ASSETS

Liabilities:		
Current Liabilities:		
321	Accrued wage/payroll taxes payable	\$ 996
322	Accrued compensated absences	505
333	Accounts payable-other government	2,947
341	Tenant security deposits	6,428
342	Deferred revenues	326
347	Interprogram due to	<u>1,600</u>
310	Total current liabilities	<u>11,202</u>
300	Total liabilities	<u>11,202</u>
Net Assets:		
508.1	Invested in capital assets	<u>934,070</u>
508	Total invested in capital assets	934,070
512.1	Unrestricted net assets	<u>109,899</u>
513	Total Net Assets	<u>1,043,969</u>
600	Total Liabilities and Net Assets	<u>\$ 1,055,171</u>

\$ 43,031

Housing
Choice
Vouchers
14.871

Totals

\$	\$	996
		505
		2,947
		6,428
		326
<u>82,588</u>	<u>84,188</u>	
<u>82,588</u>	<u>95,390</u>	
<u>82,588</u>	<u>95,390</u>	
<u> </u>	<u>975,501</u>	
	975,501	
<u>(27,655)</u>	<u>82,244</u>	
<u>(27,655)</u>	<u>1,057,745</u>	
<u>\$ 54,933</u>	<u>\$ 1,153,135</u>	

BATH CHARTER TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended December 31, 2006

FDS Line Item No.		C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 47,004	\$
704	Tenant revenue-other	<u>572</u>	
705	Total tenant revenue	47,576	
706	HUD PHA grants	55,851	15,602
706.1	Capital grants		3,721
711	Investment income-unrestricted	882	
715	Other revenue	<u>3,421</u>	
700	Total revenue	<u>107,730</u>	<u>19,323</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	21,321	
912	Auditing fees	2,750	
914	Compensated absences	(1,134)	
915	Employee benefit contributions-adm.	1,475	
916	Other operating-administrative	20,745	
	Tenant Services:		
924	Tenant services-other	4,027	
	Utilities:		
931	Water	2,647	
932	Electricity	3,508	
933	Gas	3,656	
938	Other utilities expense	5,978	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	19,328	
942	Ordinary maint & oper-mat'ls & other	9,119	
943	Ordinary maint & oper-contract costs	22,305	
945	Employee benefit contributions	1,334	
952	Protective services-other contract costs	9,860	
	General expenses:		
961	Insurance premiums	8,117	
963	Payments in lieu of taxes	2,614	
964	Bad debt-tenant rents	<u>1,103</u>	
969	Total operating expenses	<u>138,753</u>	
970	Excess operating revenue over operating expenses	<u>(31,023)</u>	<u>19,323</u>

Housing Choice Vouchers 14.871	<u>Totals</u>
\$	\$ 47,004
	572
	47,576
149,949	221,402
	3,721
218	1,100
	3,421
<u>150,167</u>	<u>277,220</u>
12,000	33,321
	2,750
	(1,134)
	1,475
300	21,045
	4,027
	2,647
	3,508
	3,656
	5,978
	19,328
	9,119
	22,305
	1,334
	9,860
	8,117
	2,614
	1,103
<u>12,300</u>	<u>151,053</u>
<u>137,867</u>	<u>126,167</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended December 31, 2006

=====

FDS Line Item No.		C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
973	Housing assistance payments		
974	Depreciation expense	<u>54,954</u>	<u> </u>
	Total other expenses	<u>54,954</u>	<u> </u>
900	Total expenses	<u>193,707</u>	<u> </u>
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	(85,977)	19,323
	Other Financing Sources(Uses):		
1001	Operating transfers in (out)	<u>15,602</u>	<u>(15,602)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(70,375)	3,721
1103	Beginning Net Assets	<u>1,114,344</u>	<u>37,710</u>
	Ending Net Assets	<u>\$ 1,043,969</u>	<u>\$ 41,431</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
150,328	150,328
<u>150,328</u>	<u>54,954</u>
162,628	205,282
<u>162,628</u>	<u>356,335</u>
(12,461)	(79,115)
<u>(12,461)</u>	<u>(79,115)</u>
(15,194)	1,136,860
<u>\$(27,655)</u>	<u>\$ 1,057,745</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Housing Commissioners
Bath Charter Township Housing Commission
Bath, Michigan

I have audited the financial statements of the business-type activities of the Bath Charter Township Housing Commission, Michigan, (Housing Commission) as of and for the year ended December 31, 2006, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated April 30, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. I have noted other matters involving the internal control over financial reporting that we have reported to management of the Housing Commission in a separate letter dated April 30, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws,

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*
Bath Charter Township Housing Commission
Page Two

Compliance and Other Matters (continued)

regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Zanditz, CPA, PC

April 30, 2007

BATH CHARTER TOWNSHIP HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
 DECEMBER 31, 2006

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Account Number #	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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LOW RENT PROGRAM

	(1)		
1162	Investments	\$ 641.78	
3610	Interest on general funds		\$ 641.78
	To record interest earned on CD.		

BATH CHARTER TOWNSHIP HOUSING COMMISSION

**INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS**

DECEMBER 31, 2006

BATH CHARTER TOWNSHIP HOUSING COMMISSION
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DECEMBER 31, 2006

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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Bath Charter Township Housing Commission

I have audited the financial statements of the Bath Charter Township Housing Commission ("Housing Commission") as of and for the year ended December 31, 2006, and have issued my report, thereon, dated April 30, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There was one audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 10 showing the audit adjusting journal entries).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - The Executive Director was very helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Barry E. Tardiff, CPA, PC

April 30, 2007

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Bath Charter Township Housing Commission

I have audited the financial statements of the Bath Charter Township Housing Commission ("Housing Commission") as of and for the year ended December 31, 2006, and have issued my report, thereon, dated April 30, 2007. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments. For about a year now, we have been focusing on the condition of the tenant files of the Housing Commission's we're auditing whether it is a single audit or not. Therefore, our management advisory comments are more extensive on tenant files than in previous audits.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's Executive Director during the course of our work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

April 30, 2007

BATH CHARTER TOWNSHIP HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
December 31, 2006
=====

Tenant Files

Housing Choice Voucher Program

06-01 Year Ended December 31, 2006

Condition and Criteria: Required documentation was either missing in the tenant files, or it was not completed correctly.

Population and Items Tested: We selected 2 files to test from a population of 25 tenant files to choose from.

We looked for the following documentation in the files:

	<u># of Exceptions</u>
a. Form HUD-50058	0
b. Privacy Act Notice	0
c. Proper Verification of Income	1
d. Proper Verification of Expenses	1
e. Proper Verification of Assets	1
f. Inspection Report	2
g. Lease	0
h. Application	0
i. Copy of Photo I.D.	2
j. Copy of Proof of Social Security Card	2
k. Copy of Birth Certificate	2
l. Annual Review	0
m. Worksheet for HUD-50058	0
n. Notice of Rent Adjustment	1
o. Criminal Background Check	2
p. Declaration of 214 Status	2
q. Lead Based Paint Disclosure	1
r. Check for previous eviction from federal housing	0
s. Request for Tenancy Approval	2
t. Voucher	0
u. HAP Contract	1
v. HAP Tenancy Addendum	2
w. Rent Reasonableness Test	2
x. Inspection-Life Threatening corrections made <24 hours	1
y. Inspection-corrections made <30 days or by granted extension	2
z. Proper action taken if x or y violated	2
aa. Family Composition Review	<u>1</u>
	<u>30</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
December 31, 2006
=====

Tenant Files (Continued)

Housing Choice Voucher Program

06-01 Year Ended December 31, 2006 (continued)

Out of a possible 54, there were 30 exceptions from this test.
This represents a 56% exception rate.

The following is a short summary of exceptions:

<u>File</u>	<u>Client #</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	000011	x		x			x		x	
2	000023	x		x			x		x	
Number of Hits		<u>2</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>2</u>	<u>0</u>
% of Hits		<u>100%</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>

Legend

1. No proper evidence that a criminal background check was conducted, or it was in the tenant file. It may not be kept in the tenant file unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset Verification not conducted, or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD Form 9886, Release of Information/Privacy Act Notice not in file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

BATH CHARTER TOWNSHIP HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)

December 31, 2006

=====

Tenant Files (Continued)

Housing Choice Voucher Program

06-01 Year Ended December 31, 2006 (continued)

Auditor's Recommendation: It is recommended that the Housing Commission obtain missing documentation or correct incomplete or incorrect documentation in all tenant files where possible. Family composition reviews should be done annually and proper verifications of income, expenses, and assets done each year as well. Inspection reports should be given a pass or fail rating and any deficiencies corrected within the proper time frame and those corrections documented in the tenant file. A notice of rent adjustment should be sent to the tenants and a copy placed in the tenant's file. Criminal background checks should be shredded unless an appeal or hearing is pending. The tenant files should have alternative evidence showing that the criminal background check was done. A separate form, or additional entries on existing forms such as the application, should show the date the criminal background check was requested, when the information came back, and whether or not the tenant was eligible. The HAP Tenancy addendum should be attached to any leases. A rent reasonable test should be performed when the property is initially leased and anytime there is an increase in rent.

BATH CHARTER TOWNSHIP HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
December 31, 2006

=====

Tenant Files (Continued)

Public Housing Program

06-02 Year Ended December 31, 2006

Condition and Criteria: Documentation to determine **eligibility** is missing in the tenant files.

Population and Items Tested: We selected two tenant files to test out of a population of 30 to choose from.

We looked for the following documentation in the files:

	<u># of Exceptions</u>
a. Form HUD-50058	0
b. Privacy Act Notice	0
c. Proper Verification of Income	1
d. Proper Verification of Expenses	0
e. Proper Verification of Assets	0
f. Inspection Report	0
g. Lease	0
h. Application	0
i. Copy of Photo I.D.	2
j. Copy of Social Security Number Verification	1
k. Copy of Birth Certificate	2
l. Annual Review	0
m. Worksheet for HUD-50058	1
n. Notice of Rent Adjustment	2
o. Criminal Background Check	2
p. Declaration of 214 Status	2
q. Check for previous eviction from public housing	0
r. Family Composition Review	<u>0</u>
	<u>13</u>

Out of a possible 36, there were 13 exceptions from this test. This represents an exception rate of 36.11%.

BATH CHARTER TOWNSHIP HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)

December 31, 2006

=====

Tenant Files (Continued)

Public Housing Program

06-02 Year Ended December 31, 2006 (continued)

The following is a short summary of exceptions:

<u>File</u>	<u>Client #</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	P-002-0025-06	x		x			x		x	
2	P-002-0004-07	x							x	
Number of Hits		<u>2</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>2</u>	<u>0</u>
% of Hits		<u>100%</u>	<u>0%</u>	<u>50%</u>	<u>0%</u>	<u>0%</u>	<u>50%</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>

Legend

1. No proper evidence that a criminal background check was conducted, or it was in the tenant file. It may be kept in the tenant file unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset Verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required with required documentation.
7. The Housing Commission could not locate the file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

Auditor's Recommendation: It is recommended that the Housing Commission obtain missing documentation in all tenant files where possible. Proper verification of income, expenses, and assets should be done each year. A notice of rent adjustment should be sent to the tenants and a copy placed in the tenant's file. Criminal background checks should be shredded unless an appeal or hearing is pending. The tenant files should have alternative evidence showing that a criminal background check was done. A separate form, or additional entries on existing forms such as the application, should show the date the criminal background check was requested, when the information came back, and whether or not the tenant was eligible.

BATH CHARTER TOWNSHIP HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
December 31, 2006

=====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
	(1)		
1162	Investments	\$ 641.78	
3610	Interest on general funds		\$ 641.78